



HOUSING ELEMENT

A review of the 1970 U.S. Census of Housing has shown that Mission Beach provides a full range of housing types. It also shows that Mission Beach is essentially a renters' community. Further, Mission Beach provides a full range of housing by price, although the existence of larger percentages of housing in the higher brackets results in an average cost that is over twenty percent higher than the cost of housing citywide for owner-occupied units and ten percent higher for rental units. Housing units in Mission Beach are smaller than those citywide but they contain fewer residents per unit. The fact that a number of structures in Mission Beach are reaching their life expectancy makes redevelopment potential relatively high.

The residents of Mission Beach, as detailed under demographic characteristics, are mostly college age students, small families above average in income, and some senior citizens. The higher price of housing excludes moderate-income families and senior citizens with fixed incomes, while the small unit combined with excessive costs tends to exclude families with small children. These latter families generally have lower incomes because of their youth and lack of income from the nonworking wife.

The trend of new development in Mission Beach is toward luxury rental units and condominiums. This is dictated by the high value of land in the Community. There is an obvious demand for this kind of unit. Until it is satiated, if ever, the trend will probably continue in that direction. Unfortunately there are demands for other types and price ranges of housing which are not being fulfilled.

GOALS

- The continuation of a variety of housing types including single-family, multifamily, townhouses, garden apartments, and condominiums.
- The promotion of a wider variety of dwelling unit sizes including studios, one, two or more bedroom houses and apartments.
- The encouragement of all types of individuals and family sizes to live in Mission Beach.
- The promotion of an economically balanced community through the investigation of individual and community rehabilitation efforts, changes in taxing and assessment procedures, and the use of subsidy funds where applicable.
- The promotion of a racially and ethnically balanced community through the employment of an affirmative marketing program in meeting housing needs.
- The assurance, through assessment and taxation procedures, that private land development practices foster community goals rather than hinder them.
- The implementation of residential goals in the Mission Beach Precise Plan through the use of innovative assessment techniques and taxation practices.

HOUSING COST

The cost of creating a new unit of housing in Mission Beach is higher than the cost citywide because of the complexities of land values, assessment practices, development costs, and demand. These factors make it virtually impossible to build new housing for any group except upper-middle income or above. Any housing that provides for moderate incomes will have to come from the existing housing stock, one way or another.

Land prices are high because of the limited supply and high demand. Lots on the interior of the community are least expensive while lots with ocean and bay frontage are most expensive. Most land has some improvement on it at present. The cost of acquisition of the least expensive single lot with minimum improvements can range anywhere from \$15,000 for a 1,250-square-foot interior lot to at least \$20,000 for a 2,400-square-foot interior lot. Because of the limited number of units that can be developed on these lots relative value of the land to the improvement is high.

Construction costs are generally at least \$20 per square foot of floor area. This figure is for a minimum structure in the Mission Beach area. Exceptional development problems, or luxury features, can raise that figure even higher.

The cost of permit fees, architectural fees, landscaping, and the normal profit before sale results in a relatively high sales or rental price for new residential units in Mission Beach. Although it is difficult to speak in terms of actual costs because of the enormous amount of variables, a figure of \$35,000 as a minimum sales price and \$300 per month rental can be assumed to be the basic cost of a unit of housing in Mission Beach developed at a density of 36 dwelling units per acre. Because this is a basic cost, the only means of reducing that cost, short of some form of subsidy, would be through an increase in density. Although it is impossible to determine the exact impact of a change in density, it is safe to assume that the reduction in price would not be in direct proportion to the increase in density. A 50 percent increase in density, for example, would probably reduce the unit cost by 20 percent at the most. This, then, is the dilemma that must be faced in any attempt to provide for a range of housing by price.

IMPACT OF TAXATION

The cost of maintaining an existing unit of housing in Mission Beach presents another sort of problem. Many older single-family homes and duplexes were bought at a relatively modest cost by people with modest incomes. Over the years however, the rising demand for beach-oriented property has resulted in rising property values. Assessments, naturally, have increased. This has resulted in accompanying tax increases. Families whose income has not risen accordingly are faced with a problem of no longer being able to afford to live in their home. Providing some method for persons to own and maintain property in Mission Beach for non-speculative purposes is one of the most serious economic problems. The homeowner's exemption is an example of tax relief for homeowners on a countywide basis, although its impact in an area such as Mission Beach is minimal. A Senior Citizen Property Tax Assistance Program exists in conjunction with income taxation but even this has limitations imposed on income and property value.

Because of the complexity of the issues of property assessment and taxation the entire subject is treated in further detail in an appendix. Some goals and proposals in this element are based on information contained in that discussion. Some discussion is removed from the body of the text because much of the background information is extraneous to the Precise Plan itself.

HOUSING PROPOSALS

The Housing Element of the San Diego General Plan (A Decent Home for Every San Diegan) points out the serious housing deficiencies, both quantitative and qualitative, which presently exist in a number of San Diego's older neighborhoods and communities. Among those problems is the lack of housing to serve the low-income population, and the lack of housing needed to meet the special needs for such groups as students, military personnel, large families and senior citizens.

Citywide, there is a lack of diversity in the price range of types of housing available in certain communities. Further, an ever increasing portion of the existing housing stock is becoming qualitatively deficient because of age, lack of proper maintenance and functional obsolescence. Those areas characterized by a high percentage of transiency and absentee ownership such as Mission Beach also exhibit a significantly lower level of property maintenance, improvement, or redevelopment. Unfortunately, prevailing tax laws discourage rehabilitation, and encourage the retention of old, substandard structures. Owners are reluctant to rehabilitate because the improvement results in a tax increase.

There are two basic needs in terms of housing that must be fulfilled in Mission Beach. One is to continue the balance where it presently exists. The second is to promote a balance where it does not exist by redirecting development trends. The Housing Element of the General Plan (A Decent Home for Every San Diegan) suggests that every community in San Diego should be economically and ethnically balanced. Council Policy 600-19 requires that the Council do whatever is reasonably and practically possible in all of San Diego's developed Communities to effect the development of economic and racial balance.

The limited amount of land in Mission Beach, coupled with its extremely high value, makes the task of maintaining an economic balance, and creating a balance in ways that it does not now exist, a difficult task. If such a task is not accomplished, however, the result will be the continued development of luxury apartments, developing at a rate of up to 150 per year, many of which will be consuming lower cost (and admittedly deteriorating) housing in its path. The final result will be a rich ghetto, catering to one life style only. This could result in Mission Beach becoming the most unbalanced community in San Diego.

In order to provide for a balance of life styles, the basic need is to provide a place in Mission Beach for low- and moderate-income families, and for families with small children, to live. There is a need to continue to insure the availability of housing for students, as well as luxury units for those who can afford it. Provision should also be made for the many senior citizens who have lived in Mission Beach for years who are now fighting ever increasing taxes and dwindling incomes.

The most reasonable means of providing for these needs is through the rehabilitation of existing housing units. Many units which are structurally sound could be saved from eventual demolition given some basic code improvements. Remodeling efforts in many cases could be used to expand the size of small units in order to make them attractive to larger families. Both public and private efforts will be necessary in order to encourage rehabilitation. While subsidies may presently be unrealistic, there are other techniques ranging from educational efforts to the actual provision of incentives for certain endeavors. The creation of a neighborhood association for the purpose of encouraging rehabilitation of deteriorating structures is an example of a private effort that could be initiated.

The process of land development inevitably involves taxing and assessment practices. While this will be discussed separately, it should be mentioned that it has a substantial impact on development patterns. Efforts to encourage rehabilitation, for example, could be stimulated by providing incentives through the use of tax breaks for certain rehabilitation efforts. The re-evaluation of all taxation and assessment practices is another necessary step that must be taken in order to clarify the underlying reasons why redevelopment practices assume the form that they do. This could be a monumental undertaking. All practices of the tax assessor are fixed by state law. Generally speaking, assessment practices must be carried out equally for all parts of the County.

The use of subsidy funds, either local or federal, is certainly one method of encouraging rehabilitation efforts. The extremely high land values in Mission Beach, however, tend to work against the use of any subsidy funds since it is logical to disperse these funds where the most can be returned for the dollar. Areas where land is much cheaper, for example, tend to be more suitable for subsidized housing. There is, however, a critical need to upgrade a number of substandard units in Mission Beach. If the housing is to be upgraded without redeveloping totally into luxury units some outside financial aid is necessary and should be sought out.

The preceding arguments have dealt with the problem of economic balance. There is also a condition of racial and ethnic imbalance in Mission Beach at present. Less than one percent of the residents of the community are black. About three percent reflect a Mexican-American heritage. Both of these percentages are far below the citywide averages. This imbalance is probably a product of the economic imbalance discussed earlier. Whatever the reason might be, however, the future should include more use of affirmative marketing programs (whereby



There are all kinds of people with all kinds of interest.

positive action is taken to insure that minorities have a full opportunity to live in Mission Beach). This concept is suggested by Council Policy 600-19, in order to insure the opportunity for a reasonable balance of the population in terms of racial and ethnic background.

TAXATION PROPOSALS

The free interplay of the real estate market in Mission Beach has a tremendous impact upon the nature of development. Private land use decisions are seldom based upon community goals but rather upon maximizing the individual's return on a given piece of property. The result of this kind of motivation takes the form of either intense development or pure speculation. In speculating, property is held with the hope that increases in value will result in a considerable profit on the original investment when it is eventually sold. If the property contains minor improvements, they may be left to deteriorate because the eventual redevelopment of the property would involve their removal anyway. The value of property is in the land, not the improvements. Any minor improvement to the property, then, would not be recovered financially when the property exchanged hands. In Mission Beach, this results in a large number of inexpensive residential dwelling units that will continue in use until the cost of owning the property (taxes, maintenance, mortgage) becomes greater than the income, at which time it will either be renovated or redeveloped in order to increase the

economic return. Another stigma upon redevelopment involves present structures that are built to a greater intensity than new regulations would allow. These structures are likely to remain because redevelopment would result in less intensive use of the property. There is some question as to whether taxation and assessments should be permitted, in all cases, to continue to rise in line with market activity. These practices are about the only control available upon the free market in Mission Beach. An undesirable result of increasing taxes and assessments is that property serving a need in its present use is sometimes

forced into development or redevelopment. An example of this might be the need for lower cost housing in the case of developed property. These needs are usually not realized because these types of uses provide an insufficient return on the land. In other cases, an owner desiring to keep property simply to live on may be forced to sell because of rising taxes. Because of these types of situations, it is necessary to study the feasibility of using taxes and assessments to influence land use decisions in line with adopted community goals.

Mission Beach is affected continuously by the types of economic pressures described above. Decisions on the nature and timing of development activity are predicated on market conditions. Rarely can a decision be made based simply upon whatever is "best" for the



This may never be improved if the result is an increase in property taxes.

community. It is possible, however, to use the process of taxation to change development patterns, at least to a minor extent. This possibility needs to be investigated fully.

Several alternatives are available to replace the present ad valorem taxation system. Each alternative has advantages and disadvantages depending upon the goals desired. The following examples briefly describe some alternatives and how they might be used in order to achieve the goals of the Mission Beach community. Admittedly, some such programs might involve changes in state laws to accomplish. The ideas, at least, are worthy of consideration.

Differential Assessments

The Veteran's and Homeowner's exemptions are an example of a differential assessment. To use such as assessment procedure in an area such as Mission Beach would involve an assignment of lower assessments in return for whatever desirable goals were sought. These might be redevelopment of substandard properties, establishment of rent ceilings, discouragement of absentee ownership, or other such actions that are not normally occurring in a totally free market.

The California Williamson Act, is an example of a rural application of this type of assessment. Here, farmland is assessed at a lower rate contingent upon its continuation in agricultural land use. This insures agricultural preserves and also wards off the pressures of urban expansion. The system is not without its loopholes. The most significant criticism against this method is that, however unintentionally, it benefits the land speculator. In practice it is impossible to determine if the farmer is truly holding land for farming purposes or simply waiting for values to rise sufficiently to warrant selling.

Abatement Programs

Such programs could "freeze" the present level of assessments to assist in the achievement of desirable community goals. Up to 100 percent of any increase in taxes could be waived for a number of years. This usually is enough incentive for the private developer to provide the desired objective. Low- and moderate-income housing projects in other places have been constructed with this technique. Additional incentive is sometimes given in the form of favorable interest rates. One serious obstacle to abatement programs is the loss of revenue to local government. The use of abatement procedures could be more widespread if a program of federal government reimbursements for revenue loss were adopted. No serious obstacle exists however for local government itself to carry the loss if the objective is worthwhile.

Site Valuation

This taxation system, based entirely on land value or on higher rates for land than on improvements, ranks high as a possible alternative. A number of deficiencies inherent in the present system are overcome and the method has real merit in preventing the under-utilization of land resources.

As mentioned earlier, the present system combines land and improvement assessments at par in determining market value. In site valuation the land is weighed much heavier than the structures on it. It is also possible to assess only the land but this is a rare practice. More

often the improvements are assessed at partial value. One of the principle arguments for the system is that it allows the marketplace to operate effectively in pushing land into its highest and best use. Since increases in site values are created by the demand for certain structures upon them, higher taxes on land will force owners to develop the property with the highest use possible. Those who do not wish to develop would sell to those who do, or lose money on their property. Site taxation prevents the underuse of the property which the present system tends to support in areas such as Mission Beach. Owners will no longer “carry” run down improvements while waiting for land values to rise. Complementary to higher taxes on the land would be lower taxes on the improvements thus keeping public revenues relatively constant.

Tax assessments under the site valuation procedure alone, however, would only fulfill one goal, that of discouraging speculation. Where more socially-oriented goals are involved, such as moderate-income housing for families, this system alone has drawbacks. Its use with other systems, such as differential assessment or abatement programs, however, is possible.

SUMMARY RECOMMENDATIONS

- That some housing units capable of housing larger families be developed in order to encourage families with small children to locate in Mission Beach.
- That lower income housing, in addition to luxury units, be developed in Mission Beach.
- That rehabilitation of existing substandard housing be encouraged, in order to both improve the quality of housing in the community and to provide lower income housing.
- That substandard housing having potential rehabilitation value be identified by type and location.
- That the availability of housing subsidy funds be investigated for use in Mission Beach in order to encourage the provision of lower income housing.
- That the feasibility of upgrading the housing stock be investigated in terms of health, safety and sanitation conditions.
- That an affirmative action program be established in order to inform persons of all levels of the choices of existing housing and to insure that builders and developers of housing in Mission Beach are aware of all available housing programs.
- That consideration be given to developing incentives in the planned district approach to promote the provision of a range of housing by price and type.
- That there be an ongoing review and revision of the qualitative and quantitative housing needs in Mission Beach in order to insure that the plan is being carried out.
- That current assessment practices in Mission Beach be evaluated in order to determine their impact upon the community with respect to its established goals.
- That special taxation programs be evaluated for the purpose of providing tax relief where the economic pressures have an adverse impact upon community goals.
- That special taxation programs be investigated for the purpose of encouraging development or redevelopment compatible with the goals of the community.